



Scottish Social Services Council (SSSC)

**External Audit Annual Report to the Council and the Auditor General for Scotland
for the financial year ended 31 March 2020**

Council Meeting 29 October 2020 – Final report

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Our audit at a glance



We received a good complete set of financial statements at the outset of the audit. This was in line with the timeline agreed with management.

Good working papers were provided to support the audit process and our queries were responded to quickly by the Finance Team throughout.

This was greatly appreciated by the audit team as it allowed a quality audit to be delivered in line with the timeline agreed by management despite the challenges Covid-19 created and the need to deliver the audit remotely.



As included in our audit plan we consider SSSC to be a smaller body for the purposes of wider scope responsibilities. We do however conclude on the financial management and the governance statement disclosures, as required by the Code.



We have fulfilled our responsibilities per International Standards on Auditing (ISAs) (UK) and the Audit Scotland Code of Audit Practice throughout our work. This report to the Council and the Auditor General for Scotland concludes our work.

An audit
underpinned by
quality and adding
value to you



Significant audit risks are:

management override of controls; risk of fraud in revenue recognition and the risk of fraud in expenditure recognition as set out in Financial Reporting Council's (FRC) Practice Note 10.

An additional significant audit risk was identified in relation to Covid-19 which caused significant disruption to all public sector entities in the later half of March 2020.

Our audit procedures in relation to the significant risks did not identify any exceptions with respect to revenue and expenditure recognition or evidence of management override of controls.



Materiality is set at £480,040 representing approximately 2% of gross expenditure based on the 2019/20 draft financial statement expenditure of £24.002 million.

We did not identify any adjustments to the draft financial statements based on our work and minor disclosure amendments were discussed and agreed.



We have issued an unmodified audit opinion on the annual report and accounts.

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Adding value through our external audit work

First and foremost our objective is to ensure we deliver a quality external audit which fully complies with International Standards on Auditing (ISAs) UK and the Audit Scotland Code of Practice (2016).

Through this Annual Report we seek to provide insight and commentary over certain aspects of SSSC’s arrangements, sharing relevant practices with the Audit and Assurance Committee and Management.

We have continued to build on our working relationship with management and our understanding of SSSC as an organisation. We have acted on feedback received in prior year audits and sought to ensure continuity within the audit team. We also revisited with management the suitability of the timing of the year-end audit work.

Following the emergence of Covid-19 we discussed the approach to remote working at the outset of the year end audit to ensure an effective and efficient approach could be taken. We communicated with key members of the Finance Team on a weekly basis throughout the audit to keep them updated as to audit progress and we believe this worked well.

We have made a positive contribution at the Audit and Assurance Committee during the year and continue to work with management on how we can add value through the audit process to support them strengthen their financial arrangements.

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Introduction

Reporting

This report is a summary of our findings from our external audit work for the financial year ended 31 March 2020.

Our work has been undertaken in accordance with International Standards on Auditing (ISAs) (UK) and the Audit Scotland Code of Audit Practice 2016.

Our report is addressed to the Council of SSSC. In addition, in accordance with our reporting responsibilities the report is jointly addressed to the Auditor General for Scotland.

Once the accounts have been laid before parliament, the finalised audit report will be made publicly available on the Audit Scotland website (www.audit-scotland.gov.uk)

Our report was presented to the Council on 29 October 2020, following consideration by the Audit and Assurance Committee in early October, and has been finalised following the signing of the financial statements by the SSSC's Accountable Officer.

We would like to thank SSSC management and the finance team for an effective year-end audit process and all their support and assistance throughout the year.

Structure of this report

As set out in our Audit Plan (March 2020) we consider in accordance with the Audit Scotland Code of Practice that SSSC meets the smaller body definition. Therefore full wider scope is not considered relevant.

However, as required in the Code of Audit Practice our report concludes on our audit of the annual report and accounts and certain aspects of SSSC's arrangements – Governance disclosures and financial management.

Covid-19

As a result of the Covid-19 pandemic an additional significant risk – Covid-19 was identified at financial statement level.

This risk reflects the challenges posed by remote working, market volatility and the risk to financial stability across the economy.

Given the timing of the pandemic in March 2020, Covid-19 had little impact on the 2019/20 financial statements. However, it did impact on a material uncertainty over the valuation of the Investment Property assets within the Tayside Pension Fund. This is drawn to users of the SSSC Annual Report and Accounts within Accounting policies, Note 5f.

Our opinion

For the financial year ended 31 March 2020 we have issued an **unqualified audit opinion**:

- True and fair view of the financial statements
- Regularity – expenditure has been incurred in accordance with the purpose of SSSC
- Other prescribed matters (which include the audited information in the remuneration report)

The audit process

We received a good complete set of financial statements, including front end, on 26 June 2020. This was in line with the timeline agreed with management.

The draft financial statements were supported by good working papers and the finance team were very quick to respond to our queries which was particularly helpful given the remote delivery of the audit.

We have no unadjusted differences to report.

We noted minor disclosure and formatting changes which resulted from our review of the accounts. These have all been processed in the final annual report and accounts. None of these changes were considered material and/or significant in nature and helped to improve the readability of the accounts.

Materiality

Our audit approach was set out in our audit plan presented to the Audit and Assurance Committee on 26 February 2020. Overall materiality has been set at £480,040, approximately 2% of gross expenditure and performance materiality is set at £360,030, 75% of materiality.

This is an increase from materiality communicated at planning due to actual expenditure being greater than budgeted. The benchmark of 2% remained the same.

We report to management any difference identified over £24,000 (trivial threshold being 5% of materiality).

We also set a lower materiality level for the remuneration report. This was set at £2,500, based on the bandings disclosed in the accounts.

An additional significant audit risk was identified in relation to Covid-19 which caused significant disruption to all public sector entities in the later half of March 2020.

Internal control environment

During the year we sought to understand SSSC's overall control environment (design) as related to the financial statements. In particular, we have:

- Considered procedures and controls around related parties, journal entries and other key entity level controls.
- Performed walkthrough procedures of key financial processes including income and expenditure recognition, journal postings, and payroll. Note, where financial processes interface with Scottish Government systems our walkthroughs have only considered the process within SSSC.

Our work over controls is limited to our ISA requirements in understanding an entities control environment. While we have assessed SSSC's controls to determine if they are designed to mitigate financial statement risk we don't rely on controls in our approach. As such, our audit is fully substantive.

We identified no material weaknesses or areas of concern from this work which would have caused us to alter the planned approach as documented in our plan.

Internal Audit

As set out in our external audit plan our audit approach is to comply with the ISA's and we do not place formal reliance on the work of Scott Moncrieff, SSSC's internal audit provider during 2019/20. We have reviewed the internal audit plan and individual reports issued to date, to consider if any impact on our audit approach.

The opinion of internal audit for the year is:

"In our opinion Scottish Social Services Council has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, effective and efficient achievement of objectives and the management of key risks."

The findings of internal audit are consistent with our knowledge and experience of SSSC. From our review we are satisfied that there were no areas arising from the work of internal audit that would impact on our audit opinion or require specific disclosure in the annual governance statement. We have no concerns with regards to the Internal Audit function or ability.

Responding to significant risks

Risk area	Identified audit risks at planning
Risk of fraud in expenditure recognition	<p>Operating expenditure is understated or not treated in the correct period (risk of fraud in expenditure) as set out in Practice Note 10 (revised) which applies to public-sector entities. There is an inherent risk that operating expenditure is understated or not treated in the correct period in order to operate within expenditure limits (risk of fraud in expenditure). As payroll expenditure is well forecast and agreeable to underlying payroll systems, there is less opportunity for the risk of misstatement in this expenditure stream. Similarly, disbursements are well forecast and agreeable to underlying records with education institutions.</p> <p>We therefore focus on non-pay and non-disbursement expenditure (other expenditure). We consider the risk to be particularly prevalent around the year end where there is greater incentive and susceptibility for misstatement and therefore focus our testing on cut-off of non-pay expenditure.</p>

Work completed

The audited financial statement value for Operating Expenditure (excluding payroll expenditure) in 2019/20 is £6.321 million. In our response to the risk we have performed the following:

- Walkthroughs of the controls and procedures over other expenditure.
- Substantive testing (at an elevated risk level) of expenditure recognised pre and post year end to identify if there is any potential over or under-statement.
- Testing post year end bank statements and review of minutes and any legal expenses incurred to identify any potential unrecorded liabilities.
- Testing of expenditure incurred in the year to invoice and bank (completeness and accuracy).

Our conclusion

Based on our testing we conclude:

- We did not identify any exceptions in our cut-off testing of year end expenditure.
- We did not identify any exceptions in the completeness and accuracy of expenditure or associated accruals balances at the year end.
- Through our substantive procedures and sample testing we confirmed expenditure testing was in accordance with the nature of SSSC (regularity).

Responding to significant risks

Risk area	Identified audit risks at planning
Risk of fraud in revenue recognition	As set out in ISA 240, there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In 2019/20, SSSC received £17.456 million (2018/19: £17.562 million) in revenue funding from the Scottish Government. The SSSC budget is agreed with Scottish Government with very little change occurring to the agreed budget and therefore there is an inherently low risk of fraud. Our presumed risk focusses on registration fees. SSSC charges fees regulated employers and employees and once registered an annual continuation of registration fee is charged. Fees charged in 2019/20 were £5.387 million (2018/19: £4.375 million).

Work completed

The audited financial statement value for Income from Fees and charges in 2019/20 is £5.387 million. In our response to the risk we have performed the following:

- Walkthroughs of the controls and procedures over fees and charges.
- Substantive testing (at an elevated risk level) over income recognised in the final two months of the year where there is an inherently higher susceptibility of fraudulent recognition.
- Evaluation of the existence of debtor balances held at 31 March 2020 by agreeing balances held to invoices and/or other supporting records.
- Income cut-off procedures and substantive testing over pre and post year end balances, over non GIA funding income streams.

Our conclusion

Based on our testing we conclude:

- We did not identify any exceptions in our cut-off testing of year end expenditure.
- We did not identify any exceptions in the evaluation of debtor balances existing at the year end.
- Through our substantive procedures and sample testing we confirmed expenditure testing was in accordance with the nature of SSSC (regularity).

Risk area

Management override of controls

Identified audit risks at planning

As set out in ISA 240 there is a presumed risk that management override of controls is present in all entities. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override SSSC's controls for specific transactions.

We consider those key judgements that are most susceptible to significant audit risk of management override are those over income and expenditure recognition. These are areas where management has the potential to influence the financial statement through estimate and judgement.

Work completed

Accounting estimates:

In assessing the risk of management override, we have considered those key accounting estimates and judgements that could impact on the organisations financial results and where there is an inherently increased risk of fraudulent misstatement or where management bias could result in a material misstatement. In response to the significant audit risk we have:

- Considered the design of controls in place over key accounting estimates and judgements.
- Reviewed accounting estimates for management bias / indication of fraud that could result in material misstatement. This included review of estimates as at 31 March 2020 and retrospective review of those estimates as at 31 March 2019.

Journals testing:

We used data analytics to support our evaluation of journal transactions during the year. In response to the significant risk we have:

- Assessed the design of controls in place over journal entries, including how these are prepared, authorised and processed onto the financial ledger;
- Risk assessed the journals population to identify large or unusual journal entries, such as those that are not incurred in the normal course of business, or those entries that may be indicative of fraud or error that could result in material misstatement. We have tested these journals to ensure they are appropriate and that they are suitably recorded in the financial ledger and appropriately recognised within the financial statements;
- We have performed targeted testing of transactions around the financial year end reviewing journals which are large or otherwise appear unusual to understand the rationale for the transaction.

Our conclusion

Based on our testing we conclude:

- There was no evidence of management override in our testing of controls.
- We did not identify any unusual or significant transactions throughout the financial year or during the financial close period which were out with the ordinary operations of SSSC.
- We did not identify any indications of management bias or indication of fraudulent transactions.

Risk area

Covid-19

Identified audit risks at planning

The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;

- Remote working arrangements may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation;
- Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and the reliability of evidence we can obtain to corroborate management estimates;
- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and
- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.

We therefore identified the global outbreak of the Covid-19 virus as a significant financial statement risk, and potential for increased risk of misstatement.

Work completed

In assessing the risk posed by Covid-19 we have:




- Worked with management to understand the implications the response to the Covid-19 pandemic has on the organisation's ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach.
- Liaised with Audit Scotland and other providers under the Audit Scotland contract framework, and taken into account wider guidance emerging related to audit quality (for example FRC guidance) and specific sector guidance.
- Evaluated the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic.
- Evaluated whether sufficient audit evidence using alternative approaches could be obtained for the purposes of our audit whilst working remotely.
- Evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates including provisions.
- Evaluate management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment.
- Discussed with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence.

Our conclusion




Based on our testing we conclude:

- Covid-19 and remote working did not restrict SSSC's ability to prepare the financial statements or restrict the audit evidence required to complete the audit.
- Management have adequately assessed the impact of Covid-19 on the organisations governance arrangements and there has been no detrimental impact as a result of effective use of remote working technologies.

Accounting policies

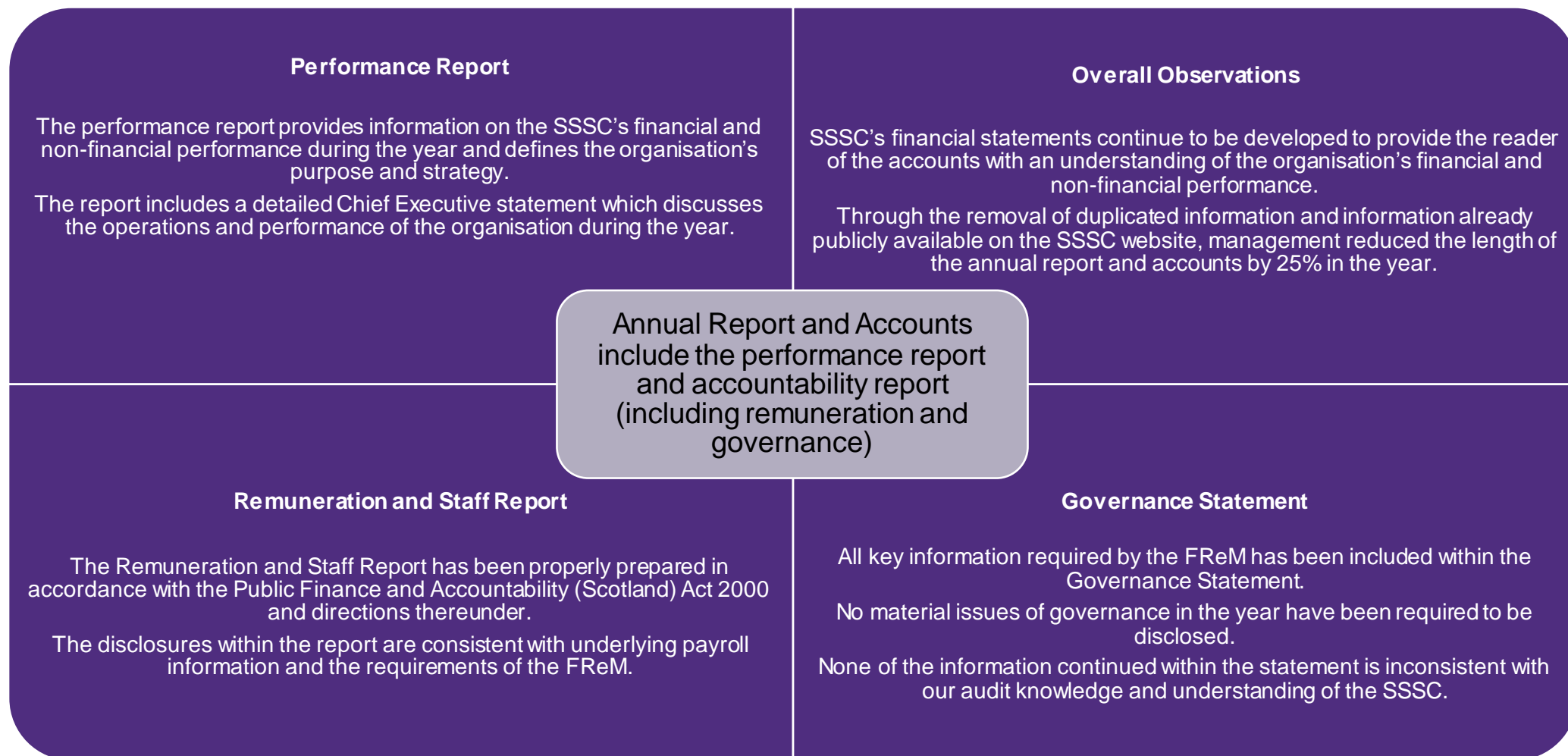
Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>SSSC recognise grant funding from the Scottish Government based on the budget allocated.</p> <p>Income from registration fees and other income is recognised as it is earned and not on a cash basis.</p>	<p>SSSC's revenue recognition policies are in line with IFRS 15 as interpreted and adapted by the FReM. Registration fees are recognised at the point the income is earned and not as money is received.</p> <p>While we recognised the risk of fraud within revenue in respect of registration fees and other income the presumed risk was rebutted in relation to government funding.</p> <p>Our audit testing addressed the risk of revenue being recognised incorrectly through cut-off testing. Our testing did not identify any exceptions.</p>	<p> (GREEN)</p>
Judgements and estimates	<p>The only area of significant judgement and estimate included within SSSC's accounts is the defined benefit pension scheme.</p> <p>An independent actuary provides an IAS 19 valuation in respect of these balances and transactions each year.</p> <p>All appropriate disclosures, including sensitivities and assumptions are included within the accounts.</p>	<p>SSSC's accounting treatment in respect of the defined benefit pension scheme is in accordance with IAS 19.</p> <p>Our audit testing has considered the independence and objectivity of the actuary as well as specific audit procedures over the transactions within pension assets and liabilities year on year.</p> <p>Audit procedures include assessment of the disclosure included within the annual accounts and we are satisfied that disclosure is in line with the FReM.</p> <p>We are satisfied that there are no further transactions or balances within the accounts which are subject to significant judgement or estimation. Although significant prepayment and accrual balances are included, these are largely timing based balances requiring no significant estimation.</p>	<p> (GREEN)</p>
Other critical policies	None identified by SSSC.	<p>We have reviewed SSSC's accounting policies against the FReM requirements. Where appropriate SSSC has tailored accounting policies, whilst still complying with the FReM. A number of accounting policies are of less relevance to SSSC's annual reports and accounts.</p> <p>We recommended a small number of minor disclosure changes, which have been made in the audited financial statements.</p>	<p> (GREEN)</p>

Assessment

-  Marginal accounting policy which could potentially be open to challenge and/or interpretation
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Narrative elements of your annual accounts

In accordance with our responsibilities we have reviewed the narrative aspects of the annual accounts and report. We have considered the consistency of this narrative with our understanding of SSSC and the financial statements and have set out our observations below. We have also audited the required information in the remuneration report (marked audited) and have no matters we wish to bring to your attention.



Key aspects of your financial statements

As set out in our audit plan we consider particular aspects of your financial statements in relation to management judgements including estimates and where management may have particular options or choices in what accounting standards or disclosure requirements to apply. We have summarised where these apply, and our conclusions below.



Accounting Policies

SSSC's accounting policies are consistent with the FReM. Overall, the SSSC's accounts are considered simple accounts and have few areas of estimate or judgement.

Judgements and Estimates – Defined Benefit Pension Scheme

SSSC is an admitted body to the Tayside Superannuation Fund. Due to the nature of Local Government Pension Schemes, these figures can move materially year on year as a result of in year transactions, changes in discount rates used in the actuarial calculation and the performance of scheme assets.

SSSC use an independent actuary to calculate the valuation of the pension under IAS 19. The IAS 19 valuation has been substantively audited in the year including an assessment of the actuary and the discount rates used.

As a result of the economic uncertainty which Covid-19 created at the year end date, the pension fund's independent property valuation experts have provided their valuation on the basis of material uncertainty in line with industry guidance. This material uncertainty impacts SSSC's share of the assets and a disclosure to this effect has been included in SSSC's financial statements.

Going Concern

As set out in the performance and accountability reports, SSSC's accounts have been prepared on the going concern basis.

A budget has been agreed with the Scottish Government for 2020/21.

As the SSSC's role is set out in Scottish legislation, the regulator for the social service workforce in Scotland, we have no reason to believe this will change.

We therefore agree with management's assertion that going concern is the appropriate basis for the preparation of accounts.

Timing of transactions

Our substantive testing in relation to the significant risks of fraud in expenditure and revenue recognition has assessed the timing and recognition of transactions.

No exceptions were identified in our testing, indicating transactions have been recognised in the correct accounting period.

SSSC's financial and governance arrangements

Financial position 2019/20

The SSSC's budget is funded by a mixture of specific grant and grant-in-aid funding from the Scottish Government and registration fees paid by members of the social services workforce throughout Scotland.

In 2019/20, SSSC received income directly of £5.805 million, alongside Grant-in-aid and specific grant income from Scottish Government of £17.456 million (£23.261 million total income). This income was used to cover expenditure of £22.6 million in year, resulting in an in-year surplus of £0.661 million. Staff costs continue to be the largest expense stream for SSSC accounting for £13.159 million in 2019/20.



The return of a surplus and not the budgeted deficit of £0.231 million is a result of:

- Income being greater than budgeted by £0.240 million.
- Savings in expenditure of £0.652 million, in part as a result of Covid-19, necessitating the delay of some planned activities to 2020/21.

The surplus has increased the general reserve to £1.600 million, which is in excess of the SSSC reserves policy of between 2% and 2.5% of gross expenditure. Due to the slippage of some projects expected to be fully completed in 2019/20 but which will now complete in 2020/21, £0.639 million of the reserves will be utilised to meet the budgeted deficit for 2020/21. We have confirmed that the surplus generated in the year was agreed with the Scottish Government.

The Statement of Financial Position shows a net liability position of £5.777 million which has decreased from £6.942 million in 2018/19 as a result of the surplus for the year and the decrease in net pension liability following the IAS 19 valuation at year end. The majority of the liability remains attributable to the pension liability of £7.377 million. Similar to other public sector entities, the pension liability is a material figure, however, it is not expected that the Scottish Government will withdraw support for the pension liability.

Financial sustainability – 2020/21 budget and beyond

The draft and indicative budget which covers 2020 – 2023 includes a budgeted deficit of £0.639 million in 2020/21 with a breakeven being achieved in both following years to March 2022 and March 2023. The budgeted deficit for the year to 2020/21 will be met using the general reserves balance.

The budget for 2020/21 includes Income of £6.233 million, an increase of £0.428 million on the amount recognised for year ended 2019/20. The increase represents the increased number of apprenticeships expected in 2020/21 and the increase in registration fees from the registration resourcing and forecasting model.

Grant in aid of £15.724 million is included in the budget for 2020/21 and has been agreed with the Scottish Government. This does not include specific grant funding which is agreed on a project basis and has therefore been excluded from the budget.



The budget includes the additional costs in relation to the pay award of 3% for 2020/21 in line with the Public Sector Pay Policy, additional costs associated with incremental staff cost increases have also been forecast.

The assumptions in the budget appear reasonable and with the reserves available to meet the budgeted deficit there are no immediate concerns with the financial sustainability of SSSC.

Governance and transparency

The SSSC is committed to transparency in its governance arrangements. Council Minutes and Papers are published on the SSSC website alongside corporate plans, policies, governance documents and the strategic risk register. Council meetings are held in public and are conducted by live video stream, which anyone can join.



In October 2019 the Council approved the reorganisation of the SSSC governance structure. This resulted in the Audit Committee becoming the Audit and Assurance Committee and the Resources Committee being disbanded. Oversight of matters previously considered by the Resources Committee now rest with the Council, recognising the previous duplication in governance.

The SSSC embrace the importance of engagement with the public and continue to make information readily accessible via the website.

Covid-19 response



SSSC moved to remote working as a result of the Covid-19 outbreak and have been able to continue operations throughout the pandemic. In response to the pandemic SSSC have developed a temporary register and have made changes to the placements of social services students to assist in Scotland's response to the pandemic.

Due to the timing of the pandemic, it has not significantly impacted the finances of the organisation for year ended 2019/20. Some planned activities were postponed until 2020/21 to enable resources to be focussed on priority areas which has contributed to the surplus reported.

Fraud and Irregularity

SSSC has arrangements in place to help prevent, detect and mitigate the risk of fraud or irregularity, including anti-bribery and whistleblowing policies. While we consider these to be reasonable, no arrangements can fully prevent against the risk of fraud, theft or irregularity. We are not aware of any material frauds at SSSC during the course of the year and have confirmed this with management.

The SSSC participates in the National Fraud Initiative (NFI), a counter fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies, external auditors and the National Audit Office to identify fraud and error. All 57 matches identified in the NFI exercise have been worked through and actioned.



We found SSSC's arrangements for participation in the NFI exercise to be satisfactory. The SSSC has effective arrangements in place for the submission of data and investigation of potential matches.

Shared services with CI – ICT

Following the Section 22 Report on SSSC's arrangements in respect of IT, both organisations committed to re-looking at the sharing of services and how this could continue with improved governance, alongside greater clarity over the joint vision for the sharing of services. Both organisations recognised that over time, as each organisation has developed, the service level agreement (last rewritten in April 2015) may no longer support both organisations.

As a short term measure, the service level agreement was refreshed slightly, to reflect the ICT developments, and has been in place throughout 2019/20 whilst forward looking arrangements are developed.

Substantial work and discussion has continued between SSSC and Care Inspectorate in the year over wider shared services and the supporting governance structures. CIPFA were commissioned and completed a review in the year which was accepted by both parties. Further discussion took place during 2019/20 between Chief Executives and also at the Council of SSSC and the Board of Care Inspectorate.

It was previously anticipated that both organisations would have agreed the vision by January 2020 however this has not yet happened. Internal Audit plan to review the arrangements early on, in the 2020/21 Internal Audit programme to support the Care Inspectorate and SSSC in reaching a final agreement. Both parties are committed to the continuation of shared services.

Once final agreement is reached on the future shared services and relationship between SSSC and the Care Inspectorate, there will be an opportunity to assess the future structure of the leadership team within SSSC. This will enable alignment of the leadership team to the shared functions across both organisations.

Lastly during the year SSSC appointed an Interim Director of Corporate Services. The Interim Director continues to work closely with the Head of Shared Service, who is a Care Inspectorate employee. During 2020/21 the leadership team structure will be further reviewed and this is something we will consider within our 2020/21 external audit.



Appendices

- Audit adjustments
- Audit recommendations 2019/20
- Follow up of previous recommendations
- Audit fees and independence
- Fraud arrangements
- Communication of audit matters

Audit adjustments

Uncorrected and corrected misstatements

We are pleased to report that there were no uncorrected misstatements to the financial statements arising during our audit.

Disclosure misstatements

In accordance with auditing standards we are required to highlight significant disclosure misstatements to allow the Audit and Assurance Committee to evaluate the impact of these matters on the financial statements.

There were no material or significant disclosure misstatements we wish to bring to your attention.

Audit recommendations 2019/20

We are pleased to report that we have not identified any recommendations in the year.

The shared services agreement between SSSC and Care Inspectorate has not been finalised in the year. We will continue to monitor recommendations raised in previous audits in relation to this matter as detailed overleaf.

Follow up of previous recommendations

We set out below our follow up of our 2018/19 and 2017/18 recommendations and these are reflected below for information.

Recommendation

Annual Report (raised 2018/19)

Management should review the Annual Report and Accounts, which for 2018/19 were 121 pages long, and look to remove duplicated information and information available on the SSSC website, thus increasing the readability and reducing the length of the document.

Initial management response

Action agreed

Follow up – recommendation still applicable, will continue to be monitored in 2020/21

Management have continued their efforts to reduce the length of the annual report and accounts through the removal of duplicated information and information available on the SSSC website. The annual report and accounts have been reduced by 25% year on year and as a result are 90 pages long for 2019/20. Management seek to continue developing the accounts in line with best practice.

Undertaking a formal independent review of the shared services agreement (raised 2017/18)

SSSC should seek to have an independent review of the overall governance of the shared services arrangements. In particular looking to consider the use of service level agreements and introducing more formal performance monitoring and governance to ensure the arrangements deliver what is expected and continue to align to the strategic direction of SSSC and demonstrate value for money.

Update in 2018/19

A piece of work has been commissioned from CIPFA to support both organisations in redefining the vision for shared services. Once this has been defined, the governance arrangements and then operational delivery will be re-reviewed to ensure alignment to the vision. A full paper is anticipated to go to the November 2019 Council meeting and is being prepared by the Head of Shared Service.

Follow up – recommendation still applicable. Work ongoing and will be concluded during 2020/21

Substantial work and discussion has taken place between SSSC and Care Inspectorate over wider shared services and the supporting governance structures. CIPFA were commissioned and completed a review. This was accepted by both parties. Further discussion took place during 2019/20 between Chief Executives and also at the Council of SSSC and the Board of Care Inspectorate. Internal Audit plan to review the arrangements early on, in the 2020/21 Internal Audit programme to support the SSSC and Care Inspectorate reach final agreement. Both parties are committed to the continuation of shared services.

Follow up of previous recommendations

Recommendation

ICT contract monitoring (raised 2017/18)

Following the ending of the shared service with Care Inspectorate, management should take the opportunity to re-look at the budget for the ICT project and the phasing of the project. This should reflect all known costs including one off costs. This should then be reviewed in respect of changing ICT needs and overall project benefits anticipated to ensure decisions continue to represent value for money and are procured in the best manner.

Update in 2018/19: A benefits realisation paper is being prepared, taking into account the ICT costs and intended benefits. This paper will capture the quantifiable and qualitative aspects of the ICT programme. A full paper is anticipated to go to the November 2019 Council meeting and is being prepared by the Head of Shared Service.

Follow up – recommendation closed

The benefits realisation paper was presented to the Council in October 2019. The paper outlines the total expected costs of the project and outlines the benefits of the project both quantitative and qualitative. We will continue to monitor ICT spend through our external audit procedures however we consider the recommendation closed.

Benefits realisation (raised 2017/18)

The paper to October Council 2018 started to articulate the benefits to SSSC of the ICT project. These should be compared to the cost of the project, alongside costed efficiencies to demonstrate good use of public money/value for money.

Update in 2018/19: A benefits realisation paper is being prepared, taking into account the ICT costs and intended benefits. This paper will capture the quantifiable and qualitative aspects of the ICT programme. A full paper is anticipated to go to the November 2019 Council meeting and is being prepared by the Director of Corporate Services.

Follow up – recommendation closed

The benefits realisation paper was presented to the Council in October 2019. The paper outlines the total expected costs of the project and outlines the benefits of the project both quantitative and qualitative. We will continue to monitor ICT spend through our external audit procedures however we consider the recommendation closed.

ICT support (raised 2017/18)

SSSC should review their ICT support to oversee the delivery of the project and ensure there is continuity to oversee and manage the risks as they arise, recognising the reliance on ICT contract staff, alongside the cost of using contractors.

Update in 2018/19:

The contractor is still in place at the moment, however the permanent post is being advertised.

Follow up – recommendation closed

The permanent post for Head of ICT was filled in January 2020.

Audit fees and independence

External Audit Fee Service

	Fees £
External Auditor Remuneration	15,390
Pooled costs	3,580
Contribution to Audit Scotland costs	
Contribution to Performance Audit and Best Value	850
2019/20 Fee	19,820

Fees for other services

Service	Fees £
We confirm there are no non-audit fees	Nil

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention.
- We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.
- Full details of all fees charged for audit and non-audit services will be included in our Annual Report to those charged with governance at the conclusion of the audit.
- We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standards.
- We are required by auditing and ethical standards to communicate any relationships that may affect the independence and objectivity of the audit team.
- We can confirm no independence concerns have been identified.

Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Jon Roberts, Partner and Head of Assurance, 30 Finsbury Square, London, EC2A 1AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to Elaine Boyd, Assistant Director, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

Fraud arrangements

The term fraud refers to intentional acts of one or more individuals amongst management, those charged with governance, employees or third parties involving the use of deception that result in a material misstatement of the financial statements. In assessing risks, the audit team is alert to the possibility of fraud at SSSC.

As part of our audit work we are responsible for:

- Identifying and assessing the risks of material misstatement of the financial statements due to fraud in particular in relations to management override of controls.
- Leading a discussion with those charged of governance (for SSSC this is assumed to be the Audit and Assurance Committee) on their view of fraud. Typically we do this when presenting our audit plan and in the form of management and those charged with governance questionnaires.
- Designing and implementing appropriate audit testing to gain assurance over our assessed risks of fraud.
- Responding appropriately to any fraud or suspected fraud identified during the audit.

As auditors we obtain reasonable but not absolute assurance the financial statements as a whole are free from material misstatement, whether due to fraud or error.

We will obtain annual representation from management regarding managements assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement.

Anti-Money Laundering Arrangements

As required under the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017 there is an obligation on the Auditor General (as set out in the planning guidance) to inform the National Crime Agency if he knows or suspects that any person has engaged in money laundering or terrorist financing. Should we be informed of any instances of money laundering at SSSC we will report to the Auditor General as required by Audit Scotland.

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance including establishing and maintaining internal controls over the reliability of financial reporting effectiveness and efficiency of operations and compliance with applicable laws and regulations.

It is SSSC's responsibility to establish arrangements to prevent and detect fraud and other irregularity. This includes:

- developing, promoting and monitoring compliance with standing orders and financial instructions
- developing and implementing strategies to prevent and detect fraud and other irregularity
- receiving and investigating alleged breaches of proper standards of financial conduct or fraud and irregularity.

Throughout the audit we work with SSSC to review specific areas of fraud risk, including the operation of key financial controls. We also examine the policies in place, strategies, standing orders and financial instructions to ensure that they provide a strong framework of internal control.

In addition, as set out in the Audit Scotland Code of Audit Practice we have a role in reviewing SSSC's arrangements in response to the national fraud initiative exercise.

All suspected frauds and/or irregularities over £5,000 are reported to Audit Scotland by us as your auditors on a quarterly basis.

Communication of audit matters

International Standards on Auditing (UK) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance. This document, our Annual Report is issued prior to approval of the financial statements and presents key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Our communication plan

	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern - No significant matters identified.	•	•
Views about the qualitative aspects of SSSC's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures - Summarised on slides 11, 12 and 13.		•
Significant findings from the audit – Captured within this report.		•
Significant matters and issues arising during the audit and written representations that have been sought- No significant matters arising and letter of representation signed as at date of signing the accounts.		•
Significant difficulties encountered during the audit - No difficulties were encountered during the audit.		•
Significant deficiencies in internal control identified during the audit - No significant deficiencies in internal control identified during the audit.		•
Significant matters arising in connection with related parties- No significant matters identified in connection with related parties.		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements – None identified.		•
Non-compliance with laws and regulations – None identified.		•
Unadjusted misstatements and material disclosure omissions – None identified.		•
Expected modifications to the auditor's report, or emphasis of matter – No modifications or emphasis of matter.		•



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